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SUBJECT: Jordan's 2009 Budget Grows Deficit with Bonuses and Development Projects

REFS: A. AMMAN 2669
[1](#)B. AMMAN 2316
[1](#)C. AMMAN 1903
[1](#)D. AMMAN 78

[1](#)1. (U) Summary: The Finance Ministry presented the \$8.69 billion 2009 central budget to Parliament on October 26. The budget is 8.2% larger than 2008 because of growing capital expenditures including the King's housing initiative, as well as bonuses for civil servants and pensioners. This budget includes less for subsidies and GOJ predicts that falling world oil and grain prices will lessen their need. The growing budget will be matched by a deficit which is predicted to grow 103% after foreign grants compared to 2008. End Summary.

2009 Budget 8.2% Over 2008 Budget

[1](#)2. (U) The Minister of Finance, Dr. Hamad Al-Kasasbeh, presented the 2009 central budget to Parliament on October 26. The budget projects total expenditure at \$8.69 billion, domestic revenue at \$6.76 billion, foreign grants at \$966 million and the deficit at \$973 million (ref A). This budget is 8.2% larger than 2008 primarily because of additional capital expenditures. In his statement to Parliament, Al-Kassasbeh projected 2009 real GDP growth to be between five and six percent, current account deficit to drop to 12 per cent of GDP, inflation to be between six and seven percent and deficit as percentage of GDP at 4.6 after foreign grants and 9.2 before grants.

[1](#)3. (SBU) Dr. Ismail Zaghloul, Director General of the Budget Department, informed EconOffs on Oct 29 that the budget was submitted to Parliament much earlier than usual this year, reflecting GOJ's progress in building budget capacity and in anticipation of significant Parliamentary discussion. He predicted that it would pass before the start of the 2009 fiscal (calendar) year and without changes, albeit after a heated debate. He also said that the 2009 budget incorporates a 6 percent additional bonus on the salaries and pensions of civil and military servants in anticipation of a request from Parliament. (Note: Parliament cannot increase expenditure, it can only reduce it. In 2008, Parliament insisted on a salary increase, which required the government to issue the first budget annex almost immediately after the passing of the original budget (ref C). End Note.) Zaghloul also said that the 2009 budget includes \$70 million for the King's housing initiative (ref B), \$28 million for expropriation of land to construct a cargo airport in the Jordan Valley (ref D), and about \$31 million for development projects in Ma'an, a poor rural governorate which has been the site of political unrest for decades.

Falling Prices of Commodities Reduce Expected Subsidy Costs

¶14. (SBU) Zaghloul projected that there would not be any fuel subsidies in 2009, noting that the crude equilibrium rate for subsidy-free LPG at the current selling rate of \$9.20 per canister is around \$52 per barrel (ref A). He also projected that fodder subsidies would amount to \$35 million and would be required in the first quarter, but given falling world prices, fodder would be sold at market rate thereafter. Wheat subsidy would amount to \$268 million, and hedging costs, mostly for wheat, would amount to \$7 to \$14 million.

¶15. (SBU) Zaghloul also said that the government will submit the budgets of independent government agencies shortly. He said that in addition to the agencies in the 2008 submission, this year will include agencies that were recently created, such as the Bureau of Investment in Foreign Exchanges (translated), the National Museum, The Irbid, Mafraq and Ma'an development areas, and the Samra electricity generation company.

¶16. (U) Key 2009 budget highlights (Million Dollars):

	2009	2008	% change
Total Revenue	7,722	7,558	2.2
Domestic Revenues	6,756	6,514	3.7
Tax Revenues	4,601	4,052	13.6
Non-Tax Revenues	2,155	2,462	-12.5
Foreign Grants	966	1,044	-7.4
U.S.	205	258	-20.7
Saudi Arabia	352	644	-45.4
EU	93	141	-34.0
Deficit after grants	973	480	102.6
percent of nominal GDP	4.6%	2.6%	
Deficit before grants	1,939	1,524	27.2
percent of nominal GDP	9.2%	8.1%	
Expenditures	8,694	8,038	8.2
Current	6,766	6,544	3.4
Civil	1,529	1,262	21.2
Military	2,289	1,868	22.5
Others	2,948	3,414	-13.6
Pension	1,009	806	25.1
Interest on Public Debt	614	548	12.0
Social Safety Net	236	658	-64.2
Wheat and Fodder Subsidy	304	530	-42.7
Subsidy of Independent Government Institutions	393	498	-21.1
Capital Expenditure	1,928	1,493	29.1

Financing Budget

Sources	3,938	5,351	-26.4
Loans	3,938	3,778	4.2
Foreign loans withdrawals	105	108	-2.04
Domestic loans	3,832	3,670	4.4
Privatization proceeds	-	1,573	

Uses (expenditures)

Deficit Offset	973	480	102.6
Repayment of Domestic Loans	0.70	0.35	100.0
Repayment of Foreign Loans	415	396	4.7
Amortization of Gov debt to CBJ	113	-	
Amortization of Domestic Debt	2,436	2,331	4.6
Partial buy back of Paris Club debt	-	2,144	

¶17. (U) The Department of Budget published all budget related information and tables online. The 2009 data is available in Arabic so far, an English version is anticipated soon. The Department's website address is www.gbd.gov.jo

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